



November 23, 2011

Kevin C. Dwyer  
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Suite 900  
Washington, DC 20001

RE: Supplier Disagreement Resolution Case No. SDR11MT-11  
Solicitation No. 7GBTNS-10-A-0003

Dear Mr. Dwyer and Cox:

This responds to the supplier disagreement (hereinafter, "Disagreement") of National Air Cargo Group ("National") regarding US Postal Service solicitation 7GBTNS-10-A-0003 for the Line Haul Services portion of the Mail Transportation and Logistics to the War Zone contract. The referenced solicitation was issued on 9/20/10. Contract award was made on 5/27/11. National lodged an initial disagreement with the contracting officer (CO) on 6/20/11; the CO responded on 7/11/11, and National's Disagreement was received by this office on 7/21/11.

The Disagreement is based on two grounds: (1) the Postal Service concluded that the awardee's proposal was technically superior to National's based on a series of mistakes; and (2) the Postal Service failed to evaluate price in accordance with the solicitation and its policies, leading to an erroneous conclusion that National did not offer the lowest price. The Disagreement requests that the Postal Service (1) sustain the Disagreement; (2) terminate the awarded contract; and (3) award the contract to National or, as an alternative, "direct a reevaluation of proposals correcting the errors that infected the original evaluation." I will address both grounds of the Disagreement after a discussion of the solicitation terms and conditions.

## THE SOLICITATION

Solicitation 7GBTNS-10-A-0003 was issued on 9/20/10, and amended on 10/29/10 ("Amendment 3").<sup>1</sup> It calls for the delivery of mail to and from United States troops stationed in combat zone areas (Iraq, Afghanistan, and Kuwait). The solicitation contains two statements of work, the first being for terminal handling (mail sortation) services, and the second calling for end-to-end transportation and logistics for processing, transport, and delivery of military mail. As a result of the solicitation, two contracts were awarded—one for the terminal handling services and the other for the end-to-end transportation services. National's Disagreement concerns the second of these awards, the statement of work ("SOW") for which is set forth in Part 2 of the overall SOW. This Part 2 SOW calls for end-to-end transportation and logistics for processing, transport, and delivery of military mail to and from select combat destinations in Iraq, Afghanistan, and Kuwait. It also addresses supplier capabilities (including aircraft capacity, ground and terminal handling services and equipment), the required services, and the division of duties between the Postal Service, the Department of Defense, and the contract awardee.

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<sup>1</sup> All page references to the statement of work ("SOW") cited herein refer to Amendment 3.

Section 2.6.1, Specific International Hub Requirements of the solicitation (SOW, p. 37) states:

"The following locations are not acceptable for international hub operations: Iraq, Afghanistan, Kuwait, Qatar, Saudi Arabia, and Oman due to custom restrictions, access to the flight line and Status of Forces (SOFA) agreements or host-nation agreements with the United States. Bahrain is currently the preferred international hub for mail movement in support of this contract.

Should an alternate international hub location be proposed:

1. DoD must have full access to the supplier's international hub facility to monitor mail processing 24/7.
2. The DoD military and civilian personnel assigned to the international hub must have full access to the flight line and all aircraft to monitor primary and subsidiary air carrier flight loading, off loading, arrivals and departures 24/7, throughout the term of the contract. The supplier must work with the host government to provide all administrative and badging processes for personnel and vehicles to gain full access.
3. The supplier must receive host nation agreement that Prograde mail must transfer to next day's flight without delay by customs inspection.
4. The supplier must work with the host nation government to allow DoD military aircraft landing rights at the international hub in the event that the supplier cannot fulfill its obligations as determined by the USPS/DoD.
5. International hub operations must be at one airport.

The supplier must determine security requirements for any alternate international hub location e.g. current location of Bahrain requires X-ray of all Retrograde mail coming from the outstations as a country requirement.

Reference Section 3.9.1 for verification process of these requirements."

Part Three of the solicitation includes the solicitation provisions. Among these was Provision 4-1, Standard Solicitation Provisions (SOW, pp. 56 - 57), paragraph 7 of which states:

"7. Multiple awards: USPS may award multiple contracts under this solicitation. USPS may award separately the terminal handling services (THS) at Newark (EWR) SOW 1, network operations including air lift to and from Mid-East, ground/terminal handling in Mid-East SOW 2, or award the Global Network service inclusive of both services SOW 1 and SOW 2."

Part Three also includes Provision 4-2, Evaluation (SOW, pp. 62 - 64). Paragraph 2 of this provision states, in part:

"Offerors are highly encouraged to propose hub(s)/location(s) in Newark and Bahrain. Any proposals for other hub(s)/location(s) can be submitted. The Postal Service will evaluate alternate site proposals in consultation with the military and will assess, among other factors:

- a. Risk associated with continuity of operations due to potential change of hub(s)/location(s)
- b. The total impact on operational efficiency, including military operations
- c. Cost effectiveness of alternate hub(s)/location(s)
- d. Security concerns with alternate hub(s)/location(s)



- e. Ability and ease of obtaining proper authorization for military operational on-site access to any and all operations from appropriate country/local authorities
- f. Hardship and cost associated by having to reposition military personnel"

Paragraph 5 of Provision 4-2 states:

"5. Award will be made to the offeror(s) who proposes the best combination of price and proposal-specific factors. Award will not necessarily be made to the offeror who provides the highest-rated technical/management proposal, or to the offeror who offers the lowest price. The best value award decision will be made on a trade-off between these factors. The cost/price proposals will become more important in selecting between or among closely-ranked technical/management proposals. Where USPS determines that an incumbent supplier's past performance has consistently met or exceeded contract performance requirements or standards, the contracting officer may give additional weight to the incumbent's past performance in trading off technical, price, and other related factors to determine the overall best value contract(s). Conversely, if USPS determines that an incumbent supplier's past performance has not consistently met contract performance requirements or standards, the contracting officer may apply negative weight to the incumbent's past performance. Separate contracts may be awarded for SOW 1 and SOW 2. Preference will be given to proposals for hub(s)/location(s) at Newark and Bahrain."

## **NATIONAL'S DISAGREEMENT**

**Ground 1: The Postal Service concluded that the awardee's proposal was technically superior to National's based on a series of mistakes.**

In its Disagreement, National argues that the Postal Service evaluation team and CO made three mistakes in the evaluation of National's proposal, and that some of these mistakes were highlighted during National's debriefing. National's Disagreement cites the following mistakes:

1. That the Postal Service mischaracterized the nature of National's proposed operations at Bagram and Baghdad;
2. That the Postal Service significantly understated the size of National's available facilities at Bagram;
3. That the Postal Service inaccurately concluded that National's proposal would not reduce the number of flights to and from war zone destinations.

National argues that these errors produced an unreasonable assessment of the risk of National's technical approach.

I have interviewed the CO and reviewed the following to ascertain the validity of Ground 1:

- The solicitation
- National's proposal
- National's 1/18/11 letter to the CO responding to evaluation questions
- The CO's award recommendation
- National's initial disagreement and the CO's response

First, National argues that it "did not propose to use Bahrain, Bagram, or Baghdad as a hub for mail coming from the United States East Coast. Indeed, it proposed to abandon entirely the hub and spoke system . . . ." (Disagreement, p. 7). National contends that its proposal to fly mail directly to

"in-theater destinations" did not constitute the establishment of hubs, but was rather an innovative means "to provide better efficiency and effectiveness for the USPS." (Disagreement, p. 7).

I find the evaluation team and the CO properly concluded that National was proposing to use Bagram and Baghdad as hubs, despite the stated preference for Bahrain as a hub and the prohibition in SOW 2 section 2.6.1 against proposing hubs in Afghanistan and Iraq. I also find that the team and the CO properly evaluated the hubs in relation to the risk factors discussed in Paragraph 2 of Provision 4-2. The team and the CO concluded that Baghdad and Bagram were being proposed as hubs because National proposed to fly directly into air bases in Baghdad and Bagram—both of which are in war zones—and then transship mail from these locations to the destinations. They then determined that this approach posed too much risk because of the onsite conditions at both bases and their changeable nature, doubts as to whether the high volume of mail National proposed flying into these air bases could be moved as quickly as proposed, and National's proposed use of trucks to transport the mail from Baghdad to some destinations. I find that the conclusions of the CO and the evaluation team were reasonable and proper.

Next, National argues that the evaluation team and CO mistakenly understated National's available space at Bagram and disregarded the revised space capabilities it stated in its 1/18/11 letter to the Postal Service. However, any error on the part of the evaluation team and the CO on this point is immaterial in light of the team's and CO's overall conclusion that National's proposed operations at the Bagram site—regardless of the site's size—posed a high level of risk.

Lastly, National argues the Postal Service inaccurately concluded that National's proposal would not reduce the number of flights to and from war zone destinations. However, I again find no reason to disturb the conclusions of the evaluation team and CO on this issue. National's proposal calls for a significant volume of mail to be flown into Bagram due to its use as a hub—significantly more than would be flown in if Bagram was only one of several Afghanistan destinations. Therefore, the conclusion that flights to Bagram would not be reduced is reasonable.

As detailed above, the evaluation team and CO found that the extensive use of Baghdad and Bagram air bases proposed by National meant the air bases would effectively operate as hubs, and that such use posed a high level of risk. While a technical proposal may offer an innovative approach to the performance of the required work, the innovation must be weighed with other considerations in order for it to be effectively evaluated. In this case, the record reflects that the CO and evaluation team weighed all considerations (including the risk factors listed in Provision 4-2) and determined that National's approach posed a high level of risk. National has failed to demonstrate that this conclusion was unreasonable; therefore, I decline to overturn it.

## **DEBRIEFING**

As part of its argument concerning Ground 1, National asserts that certain evaluation team members praised National's technical proposal during its post-award debriefing. However, an acknowledgement of the strength of one proposal cannot be construed as denigrating the proposal of another offeror. Further, any such acknowledgement does not suggest that an offeror's technical proposal in and of itself merits a contract award. Rather, the relative merit of a part of a technical proposal must be weighed in relation to the other parts of the proposal, other technical proposals, and to the prices offered. As stated in section 3.13 of the solicitation (SOW, p. 62), "USPS will award contracts resulting from this solicitation to the offeror(s) whose offer conforms to the solicitation and is deemed to offer USPS the best value, price and other factors as specified considered." Therefore, the elements of a particular technical approach do not by themselves merit contract award.



National also claims that the Postal Service unreasonably evaluated the financial risks of National's performance and "suggested [at the post-award debriefing] that it believed a \$100 million investment to support the War Zone Mail Contract might undermine National's financial stability." (Disagreement, p. 12). The record reflects, however, that any "downgrading" of National's technical proposal resulted because a competitor had approximately three times the number of available aircraft than National had or planned to purchase in support of the contract. The evaluation team therefore found that National's proposal posed a higher risk with respect to reliability and service recovery. Accordingly, I find that the evaluation team's assessment of risk with respect to National's overall technical proposal was not unreasonable, and I decline to overturn it.

**Ground 2: USPS failed to evaluate price in accordance with the solicitation and its policies, leading to an erroneous conclusion that National did not offer the lowest price.**

National argues that the Postal Service failed to evaluate price in accordance with the solicitation and policies, leading to an erroneous conclusion that National did not offer the lowest price.

The evaluation of price is addressed in two parts of the solicitation: Paragraph 4 of Provision 4-2, and Provision 2-3.

Paragraph 4 of Provision 4-2 of the solicitation (SOW, p. 63) states, in part:

"For SOW 2: Supplier's proposed price will be determined as follows: (total proposed rate per kilogram for each airstop location x applicable volumes from ATTACHMENT(s) A.1 – A.4 for each airstop = estimated annual total price). During evaluation, USPS will multiply the estimated annual total price by two to account for the two-year base contract.

Supplier's total proposed rate per-kilogram will be determined and evaluated as follows:

Volume transported through the international hub - Suppliers must submit proposed rates by completing all pricing cells in pro-grade and retro-grade sections one and two of ATTACHMENT I. Supplier's proposed total rate per-kilogram for volume transported through the international hub will be the sum of section one total rate per-kilogram plus section two total rate per-kilogram. USPS will initially evaluate supplier's proposed total price with the assumption that all pro-grade and retro-grade volume was transported through the international hub.

Volume transported by direct flights between the US and outstation(s) (optional) - Suppliers proposing direct flights between the US and outstation(s) should also submit proposed rates by completing all pricing cells for applicable lanes in pro-grade and retro-grade section three of ATTACHMENT I. For any lane that supplier proposes a direct rate, they must also provide the percentage of total annual volume (kilograms) they will commit to transporting on direct flights. For this evaluation, supplier's proposed total price will be the sum of the international hub volume cost plus direct volume cost. USPS will evaluate benefits from a direct flight proposal by considering the following factors:

- a. The amount of volume the supplier has committed to transporting on direct flights
- b. The outstation's operational capability to accept additional flights (direct flights will be in addition to flights with shipments flowing through the international hub)"

Provision 2-3, Evaluation of Options of the solicitation (SOW p.56) states, in part:

"If USPS elects to exercise an option at the time of award, proposals will be evaluated on the basis of total price for the basic quantity and for the option quantity to be exercised with the award. In all other cases, proposals will be evaluated by adding the total price for all option quantities to the total price for the basic quantity."

These provisions must be read in combination to understand how price evaluation was to be performed. Briefly put, the base price would be determined by combining the proposed price for one year with the second year, and, if the Postal Service decided to exercise the option at contract award, the price of the option would be added to the base to determine the total price; if not, price would be evaluated by adding all options to the base price. Here, the CO decided not to exercise the option, so the price of all options was added to the base price.

National's assertion that the language in Provision 4-2 alone "controls" price evaluation is incorrect, for the reasons detailed above. Further, the price of the awarded contract represents significant savings compared to the previous contract price, and the price was lower than the price proposed by National. Contrary to National's assertions, the Postal Service properly evaluated price in accordance with the solicitation

#### **DOMESTIC PREFERENCE**

Lastly, National cites generally to the Postal Service's domestic preference policy, arguing that the CO in evaluating National's proposal failed to afford National the preference to which it was supposedly entitled. As a preliminary matter, I note that National first raised this issue only after it filed its initial disagreement with the CO. However, since National raised this argument in the disagreement filed with the SDRO, it is appropriate to address it here.

I find that National was not entitled to a domestic preference with respect to this contract. First, the preference is only considered for proposals offering domestic end products or eligible WTO GPA or FTA country end products, in response to solicitations for supplies or construction materials. Further, although Provisions 1-2, Domestic Source Certificate – Supplies and 1-3, Domestic Source Certificate – Construction Materials, were listed in the original and amended solicitations as standard provisions that the CO could incorporate into the solicitation, by checking them off, the CO did not do so here. In addition, a domestic preference is considered in any event only when evaluating proposals of relatively equal value. Here, National's proposal was not of relatively equal value to that of the awardee's. Accordingly, I find that National was not entitled to a domestic preference with respect to this contract.

#### **DECISION**

After considering all information provided by the CO and National, and after having conducted a thorough review of the record, I have determined that the CO's award decision resulted in the USPS obtaining best value. Therefore, National's Disagreement is denied.

Sincerely,



Trent Ensley  
USPS Supplier Disagreement Resolution Official